

Mayors speech at the Council meeting of 30 March 2012

Thank you Madam Speaker

Good morning fellow Councillors, officials, ladies and gentlemen.

Today's Council meeting is an important milestone in the Calendar of the municipality.

This is a meeting where the Mayor is required to table the Draft Budget and the Draft IDP for 2012/2013, 2013/14 and 2014/15.

As you would know, in terms of the Municipal Finance Management Act, Section 16 (1) , the Mayor must table the draft budget at least 90 days before the end of the financial year.

Furthermore, the budget has been prepared in terms of the National Treasury Guidelines- MFMA Circular No.58 and presented in the format as required by the guidelines.

In terms of the MFMA, municipalities must also ensure that the public participates in the development of the budget. To satisfy this requirement, the Draft Budget for 2012/13 will be presented by the Mayor in the IDP/Budget Imbizo for the community to make their input.

However, both the Draft IDP and Draft Budget must be approved by Council before they are presented in the Imbizo. Hence, the tabling of the two draft documents to Council today.

The municipality is expected to ensure that the budget is aligned to the IDP to ensure that the IDP is credible.

The highlights of the Draft Budget for 2012/13 are as follows:

The total budget commitment for the 2012/13 financial year is as follows:

Operating Expenditure : R104.56 million
Capital Expenditure : R 32.16 million

Total R136.72 million

Revenue Projections

Council is hereby informed that the total Revenue Estimates for the 2012/2013 financial year amounts to R104.56.

The main income source is attributable to the Rates income and equitable share as shown below:

Equitable Share	: R55.65 million
Interest Income	: R 7.00 million
Rates	: R33.05 million
Other Grants/Services	: R 8.86 million

The above revenue will be applied to meet the expenditure in the normal running of the council's business. The salient features of expenditure are as follows:

Councillor Allowances and Salaries : R 39.55 million

An increase of 10% has been budgeted for salaries.

General Expenditure: R 54.66 million

Included in the amount of R54.66 million is an amount of R 23.10 million for rates rebates.

Repairs and Maintenance: R7.16 million

The repairs and maintenance budget was prepared taking into account the requirements of the technical department.

Capital Expenditure

The total capital budget is estimated at R32.16 million and it is divided as follows:

- Roads : R 16.21 million
- Halls : R 2.65 million
- Thusong Centre : R 8.5 million This project is being implemented currently but will be completed in the next financial year.
- Grader : R1.5 million
- Sports field : R 0.80 million
- Other : R 2.50 million

Total Internal Projects: R32.16 million

The housing projects that are planned for implementation in Wards 1,2,4,5,7,8,9 and 11 are currently at stages indicated below:

PROJECT NO.	PROJECT NAME	TYPE	No. OF UNITS	STATUS
K05110002	Swayimane Housing Project	Rural	500	Implementation Stage, Adjudication to be executed soon
K505110006	Mhlangandlovu Housing Project	Rural	500	Implementation Stage Tender has been closed. Evaluation to be executed soon.
K05110004	Appelsbosch Housing Projects	Rural	500	Implementation Stage. Tender has been closed. Evaluation to take place soon.
K06030003	Masihambisane Housing Project	Rural	500	Planning Stage. Challenges are Poor Beneficiary yield some areas are not accessible, however the problem is being addressed. 80% complete.
K05110005	Inadi Housing Project	Rural	500	Challenges: Poor Land Audit by IA, Contract with IA is to be cancelled, but project to continue. Money spent is to be reclaimed back by DoHS.
	Efaye Housing Project	Rural	500	Planning Stage challenge: had been delayed for a long time due to Land Ownership, however it has now been resolved. Stage One is now therefore continues.
K05110001	Trustfeed Housing Project	Urban	1000	Planning Stage. Challenge: Land Owners are willing to sell, on condition that the Municipality writes off outstanding rates. This problem is being addressed by the Municipal Senior Officials.
	Dalton/Cool Air			Planning Stage: Challenge: Delay has been encountered due to Land Acquisition but now resolved.

	Housing Project	Urban	439	IA is therefore now in progress with Tranche 1.
	Mpolweni Housing Project	Urban	1000	Application for Land Acquisition has been submitted to DRDLR. Application for Preparation Fund has been submitted to DoHS.
	Thokozane Housing Project	Urban	906 but 42 are still to be built	The 864 completed Houses have been proved to be poorly constructed. The issue is with the Legal Advisor.

The municipality is currently working hard to resolve the bottlenecks in order to fast track the projects so that the actual building of houses can commence.

After my presentation, the CFO will take you through the details of both the operating and capital expenditure.

Turning to the IDP. You are aware that the Municipal Structures Act, stipulates the process to be followed in developing and adopting the IDP. Also the Budget has been prepared in terms of the National Treasury Guidelines- MFMA Circular No.58 and presented in the format as required by the guidelines.

There are exactly 90 days before the end of the current financial year. I am therefore, happy to say that the tabling of the draft budget today means that the legal requirement in terms of the Act has been satisfied.

I will take this opportunity to thank the councillors for their invaluable contributions; and the officials for their sterling work that has ensured that Council meets this deadline.

The Draft IDP is actually the new IDP for the term of office for the third Council of uMshwathi. It is an IDP for 2012/13 to 2016/17 financial years.

Councillors will recall that the Process Plan for the IDP 2012/13 was adopted by Council in August 2011. In terms of this Process Plan, the municipality was expected to organize IDP public consultative meetings to get the input from residents in all the Wards.

I am happy to report that all the Wards had their IDP meetings. From the report of the managers and Ward Councillors, the meetings went fairly well in all thirteen wards. The participation of the community was good, to say the least. Again, our gratitude goes to all those Councillors and officials that contributed to ensuring the success of these important meetings.

The lists of projects that have been requested by the communities during the Ward IDP Public meetings are on Pages 27 to 34 of the Draft IDP.

Fellow councillors, you are requested to check the completeness and correctness of the list of projects in that table; and make the necessary corrections.

All municipalities were expected to submit the Draft IDP to COGTA by Friday, 23 March 2012, in preparation for the assessment taking place from 26 to 30 March 2012.

Again, I am pleased to report that the municipality met this deadline, notwithstanding the fact that the IDP manager had resigned during a critical stage in the compilation of the IDP. We thank management for working hard to ensure that the municipality did not fail in this regard.

After the assessments, the municipalities are expected to take the recommendations from the assessments into consideration and then organize a Mayoral IDP and Budget Imbizo; where the Mayor will take the community through the both the Draft Budget and the Draft IDP and invite the input from members of the community.

Accordingly, the Mayoral IDP and Budget Imbizo are scheduled to take place on April 2012 at _____.

Council must approve the Draft Budget and Draft IDP by the end of May 2012.

At the right time in the agenda, the Municipal Manager will take us through the report on the Draft IDP.

Thank you fellow Councillors, officials, Ladies and Gentlemen.

Executive Summary Final Budget 2012/13		Budget 2012/13	Budget 2011/12	% age
Income				
	Rates	-33 051 000	-31 250 000	5.76%
	Services	-3 557 500	-3 543 500	0.40%
	Grants	-59 477 000	-51 470 000	15.56%
	Other	-8 478 500	-5 051 000	67.86%
		-104 564 000	-91 314 500	14.51%
Expenditure				
	Salaries	39 549 000	34 813 000	13.60%
	General Expenses:			
	Consultant's Fees	150 000	150 000	0.00%
	Crime Prevention	100 000	100 000	
	Debt Collection	100 000	200 000	-50.00%
	External Audit	800 000	600 000	33.33%
	Free Basic Services	2 000 000	1 500 000	33.33%
	HIV Aids	500 000	500 000	0.00%
	Internal Audit	400 000	400 000	0.00%
	Interest and Redemption	2 500 000	2 500 000	0.00%
	Insurance	350 000	300 000	16.67%
	LED Projects	900 000	1 500 000	-40.00%
	Rates Rebates	23 099 000	18 900 000	22.22%
	Security	1 250 000	1 250 000	0.00%
	Senior Citizens	100 000		
	Special Projects	500 000	300 000	66.67%
	Training	750 000	600 000	25.00%
	Woman Empowerment	320 000		
	Youth Desk	350 000	350 000	0.00%
	Other	20 488 000	18 032 500	13.62%
	Repairs and Maintenance	7 158 000	6 669 000	7.33%
	Capital	3 000 000	3 000 000	0.00%
	Contributions to Reserves	200 000	150 000	
		104 564 000	91 814 500	13.89%
	Surplus/Deficit	0	0	

Proposed Rates Randages	Budget 2012/13	Budget 2011/12	% age
Commercial and all Vacant LandPublic Service Infrastructure	0.012754935	0.012032958	6.00%
Residential, Schools and Provincial Departments	0.012754935	0.012032958	
Less 20 %	0.002550987	0.002406592	
Nett Rate Randage	0.010203948	0.009626366	6.00%
Agriculture	0.012754935	0.012032958	6.00%
Public Service Infrastructure	0.012754935	0.012032958	6.00%

9	Mayor - Must approve the SDBIP within 28 days after approval of the budget and ensure that annual performance contracts are concluded in accordance with Sect 57(2) of the MSA. - Must ensure that APA are linked to the measurable performance objectives that were approved with the SDBIP and the budget. - Must submit the SDBIP and performance agreements to the Municipal Council, MEC for Local Government and makes public within 14 days after approval. MFMA sect 53 ; MSA sect 38-45, 57(2)	22-Jun-12
10	Municipal Council - Must finalize a system of delegations MFMA sect 59,79,82 ; MSA sect 59-65	30-Jun-12 (proposed date)
	Abbreviations : IDP - Integrated Development Plan MFMA - Municipal Finance Management Act, no 56 of 2003 MSA - Local Government Municipal Systems Act, no 32 of 2000 MTBPS - National Treasury, Medium Term Budget and Policy Statement NT - National Treasury PT - Provincial Treasury SDBIP - Service Delivery Budget Implementation Plan	

KEY ACTIVITIES & DEADLINE DATES FOR BUDGET PROCESS

ACTIVITY NO	ACCOUNTING OFFICER AND SENIOR OFFICIALS	DATE AND MONTH
1	Accounting Officer (Municipal Manager) - Engage senior officials of the Municipality with the planning process for the next three years MTREF Budget & I.D.P MFMA sect 68,77	Oct-11
2	Accounting Officer - Engage senior officials of the municipality in reviewing options and contracts for the SDBIP MSA sect 76 - 81	Nov-11
3	Accounting Officer - Must ensure that the CFO and BTO of the municipality determine revenue projections and proposed rate and service charges and drafts initial allocations to functions and departments for the next financial year after taking into account strategic objectives. - Must engage Provincial and National sector departments on sector specific programmes for alignment with municipalities plans (schools, libraries, clinics, water, electricity, roads etc)	Nov-11
4	Accounting Officer - Engage senior officials to consolidate and prepare proposed budget and strategic plans for the next financial year taking into account previous years performance as per audited financial statements	Dec-11
5	Accounting Officer - Must undertake an initial review of national policies and budget plans and potential price increases of bulk resources with function and departmental officials MFMA sect 35,36,42 ; MTBPS	Jan-12
6	Accounting Officer - Must table the Draft 2012/2013 MTREF Budget & Draft I.D.P to the Budget & Treasury Steering Committee for discussion and debate.	1-Jan-12

KEY ACTIVITIES & DEADLINE DATES FOR BUDGET PROCESS

ACTIVITY NO	ACCOUNTING OFFICER AND SENIOR OFFICIALS	DATE AND MONTH
7	Accounting Officer - Must review proposed national and provincial allocations to municipality for incorporation into the draft budget for tabling. (Proposed national & provincial allocations for three years must be available by 20 January) MFMA sect 36	31-Jan-12
8	Accounting Officer - Must finalize and submit to the Mayor the Final Draft of the MTREF Budget the Final Draft of the I.D.P & SDBIP. MFMA sect 37 (2)	15-Mar-12

KEY ACTIVITIES & DEADLINE DATES FOR BUDGET PROCESS

ACTIVITY NO	ACCOUNTING OFFICER AND SENIOR OFFICIALS	DATE AND MONTH
9	Accounting Officer - To notify relevant municipalities of projected allocations for next three budget years 120 days prior to start of the budget year. MFMA sect 37(2)	N/A
10	Accounting Officer - Must publish tabled budget, plans and proposed revisions to IDP and invite local community comment and submits to NT, PT and other organs of State as prescribed MFMA sect 22 & 37 ; MSA CH 4	7-Apr-12
11	Accounting Officer - Must assist the Mayor in revising budget documentation in accordance with consultative processes and taking into account the results from the third quarterly review of the current year	30-Apr-12
12	Accounting Officer - Must assist the Mayor in preparing the final budget documentation for consideration for approval at least 30 days before the start of the budget year taking into account consultative processes and any other new information of a material nature	18-May-12
13	Accounting Officer - Must submit to the Mayor no later than 14 days after approval of the budget the SDBIP and Annual Performance Agreements required in terms sect 57(1)(b) of the MSA MFMA sect 69 ; MSA sect 57	11-Jun-12
14	Accounting Officer & Entities - Must publish adopted budget and plans MFMA sect 75 ; 87	15-Jun-12

MEASUREABLE PERFORMANCE OBJECTIVES FOR MAJOR REVENUE SOURCES

(1) General Rates

The general rates amounting to R 33 051 000 reflected in the draft operating budget for 2012/2013 financial year constitutes 31.6 % of the total income of the Council.

The general rate will be raised monthly and is payable in 12 equal monthly instalments over the financial year. Furthermore an additional 5% discount is offered to rate payers if the total rates payable is paid by 31 August 2012.

The measurable performance objective for this revenue activity will be to ensure that accounts are sent out monthly in advance and that adequate pay points exist to ensure that the revenue collection is executed efficiently.

All accounts that fall in arrear will be regularly followed up and if still outstanding after 60 days these accounts will be referred to Council's debt collectors for collection.

(2) Equitable Share

The equitable share grant amounting to R 55 649 000 reflected in the draft operating budget for the 2012/2013 financial year constitutes 53.2 % of the total income of the Council.

The Equitable share is paid in four months in advance by the Department of Finance into the Council's primary bank account.

The measurable performance objective of this revenue source is to ensure that the Council operates its budgets and finances efficiently thereby ensuring that all National and Provincial financial monitoring reports are submitted quarterly as required.

(3) Other revenues

The balance of Council's revenue is made up of various smaller incomes, and constitutes 15.2 % of the total revenue.

These revenues in isolation are insignificant and more difficult to monitor and are outlined in detail in the draft budget.

List of Budgeted Related Policies

Rates Policy
Tariff Policy

Amendment to Council's Rates Policy

It is proposed to amend paragraph 11, Agricultural Properties, (extract attached), of Council's Rates Policy as follows:

- 1 An all inclusive rebate of 83.00 % be applied encompassing all categories of rebates applicable to agricultural properties during the 2012/2013 financial year. As per paragraph 11 of the rates policy.

Extract of Rates Policy:

11. AGRICULTURAL PROPERTIES

The municipality will apply an aggregate rebate of 83% to cover the following:

- (1) the level of services provided to agricultural property owners by the municipality,**

The municipality will apply the aggregate rebate on the following:

if there are no municipal roads next to the property;

if there is no refuse removal that is provided by the Municipality.

- (2) the contribution of agriculture to the continued sustainability of the local economy, for example job creation through the continued harvesting of agricultural produce thereby ensuring the profitability of agriculture in the business sector;**

- (a) The municipality will apply the aggregate rebate if agricultural properties contribute substantially to job creation, and the salaries/wages of farm workers are reasonable, e.g., if they meet minimum standards set by the government or if they are in line with the sector's average.

- (3) the extent to which agriculture assists in meeting the service delivery and development obligations of the municipality by installing the infrastructure required for the municipality to provide the services and making land available to the municipality for the establishment of clinics, schools, recreational facilities, water works, housing development, etc.**

The aggregate rebate will be applied, if the farmer is availing his land/buildings to be used for cemetery, education and recreational purposes for the farm workers, their children and the nearby community in general, etc.

(4) the contribution of agriculture to the social and economic welfare of farm workers by providing employment thereby a steady income, housing, schools, safe environment, land used as a burial site where there is an established practice.

Amendment to Councils Tariff Policy

The tariffs attached to the policy be amended as per Annexure “3”

Overview of Budget Assumptions

The budget has been prepared on the assumption that:

- The service delivery trends are consistent to that of the previous year.
- The economy will continue to improve and stabilize.
- Expenditure trends will be consistent to that of the past two to three years.
- The collection of amounts owing by debtors improves to at least 80 %.

The budget forecasts are based on historic information and current trends available at the time preparing the budget.

Overview of Budget Funding

The funding source for the budgeted expenditure is as follows:

Operating Expenditure:

- Equitable Share: R 55 649 000.00
- Finance Management Grant: R 1 500 000.00
- Municipal Systems Improvement Grant: R 800 000.00
- Provincial Grants: R 1 528 000.00
- Rates: R 33 051 000.00
- Other Services: R 8 594 500.00

Capital Expenditure:

- Municipal Infrastructure Grant: R 32 160 000.00

The municipality is entering its sixth year of implementation the Municipal Property Rates Act (MPRA). The municipality is preparing to have the second General Valuation done in 2012. A six percent increase in rates has been budgeted for with a 7.5 percent increase in refuse collection tariffs.

The municipality is continuing its aggressive debt collection process it started towards the latter part of 2010 financial year. This will assist in improving the collection rate of the debtors.

The municipality will continue applying its cost reduction program in the 2012/2013 financial year, for example, only filling critical vacant positions.

Investments held by the municipality are of a short-term in nature and held for a maximum of three months.

Currently the municipality is servicing long term loans from FNB and DBSA. The municipality does not intend taking up any new loans in the 2012/13 financial year.

Grant Expenditure

Municipal Infrastructure Grant: R 32 160 000.00

- Roads	R 17 360 000.00
- Halls	R 1 500 000.00
- Storm water	R 2 000 000.00
- Thusong Centre	R 8 500 000.00
- Grader	R 1 500 000.00
- Sports Fields	R 800 000.00
- Community Centre	R 500 000.00

The total of R 32 160 000.00 includes the allocations for both 2012/2013 and 2013/14 financial years

Municipal Systems Improvement Grant: R 800 000.00

- Implementation of Municipal Turnaround Strategy	R 100 000.00
- Effective Ward Committee Participation	R 420 000.00
- Municipal Viability & Management	R 120 000.00
- Implement effective Information Systems	R 160 000.00

Finance Management Grant: R 1 500 000.00

- Interns	R 550 000.00
- Training of BTO staff	R 300 000.00
- Upgrading of Accounting Software	R 250 000.00
- Internal Audit	R 400 000.00

Salaries and Allowances

Councillor Allowances and Benefits (26 Councillors)

- Salaries	R 5 047 000.00
- Transport Allowance	R 1 826 000.00
- Telephone Allowance	R 383 000.00
- Pension Contribution	R 510 000.00

Employee Salaries and Benefits

- Salaries	R 24 037 000.00
- Performance Bonus	R 475 000.00
- Bonus	R 1 485 000.00
- Housing	R 212 000.00
- Transport Allowance	R 324 000.00
- Overtime	R 435 000.00
- Bargaining Council	R 10 000.00
- Pension	R 3 041 000.00
- Medical Aid	R 883 000.00
- Protective Clothing	R 340 000.00
- Skills Levy	R 301 000.00
- UIF	R 240 000.00

Packages Included in Employee Salaries

- Municipal Manager	R 952 000.00
- Chief financial Officer	R 680 000.00
- General Manager: Technical	R 613 000.00
- General Manager: Corporate	R 613 000.00
- General Manager: Community	R 613 000.00